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RUEHBJ/AMEMBASSY BEIJING 1116
RUEHLM/AMEMBASSY COLOMBO 0789
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RUEHIL/AMEMBASSY ISLAMABAD 4517
RUEHBUL/AMEMBASSY KABUL 2809
RUEHKKT/AMEMBASSY KATHMANDU 0828
RUEHNE/AMEMBASSY NEW DELHI 1467

UNCLAS TASHKENT 001012

SENSITIVE
SIPDIS

DEPARTMENT FOR SCA/CEN AND EB

E.O. 12958: N/A

TAGS: ECON EFIN ETRD KCOR SOCI UZ

SUBJECT: UZBEKISTAN: THE MANGO ROAD TO NORTH-SOUTH
INTEGRATION

¶1. (SBU) Dr. Khalid M. Chaudhry, a Pakistani national who is General Director of Classic International, has been a regular visitor to the U.S. Embassy in Tashkent for many years. One of the founders of the American Chamber of Commerce branch in Tashkent in the 1990s, Dr. Chaudhry is best known at the Embassy for bringing fresh mangos to Embassy functions. In a visit on August 12, Dr. Chaudhry gave Charge and Econoff an eye opening description of what it takes to thrive as a businessman engaged in international trade in Uzbekistan today.

¶2. (SBU) Classic International has been in business for fourteen years and has interests in several areas. One of these is the import of fruits, clothing, and shoes overland by truck from Pakistan via Afghanistan. Trucks driven by Pakistanis go overland to the river port at Termez, where their cargo is sent across the river by ferry to be picked up by Uzbek drivers on the other side. On average it takes 7-8 days for goods sent from Pakistan to reach market in Uzbekistan. Classic International also runs a chain of Konica photo shops in Tashkent, for which all equipment and processing chemicals are imported via the same overland route from Pakistan. Finally, Dr. Chaudrhy owns and operates the "Salt and Pepper" restaurant in Tashkent.

¶3. (SBU) Dr. Chaudrhy told us matter of factly what it takes to stay in business in Uzbekistan. He knows whom he needs to pay in the police, customs, the health and tax departments, and every other Uzbek agency that could have an influence on his business operations. He even knows whom to pay in the municipal government to avoid being fined, for example, for failing to sweep the leaves in front of his photo shops. He makes the macaroni for his restaurant and told us that although the market price for flour is 1200 soum per kilo (approximately \$1 USD), he can get the government rate of 560 soum per kilo by paying an additional 200 soum per kilo to the right person. By knowing how the system works, Dr. Chaudrhy told us proudly that he has not missed a single day of business in fourteen years because of interference by Uzbek authorities. He further told us that he has shied away from offers of patronage from highly placed officials because he knows that an official who is well placed today could be in disfavor tomorrow.

¶4. (SBU) Dr. Chaudrhy said that to date he has not been involved in exports from Uzbekistan, but he is considering exporting peanuts and beans to Pakistan next year. If he does, he said it would be much cheaper to export through Iran, where hundreds of Uzbek trucks already make the border crossing daily. He told us it would cost \$600-\$700 USD per

truckload to hire an Uzbek driver to make the trip. At 75 million soum (\$56,000 USD), however, a wholesale export license is not cheap.

COMMENT

15. (SBU) A quiet, unassuming Pakistani who has made his home with his family in Tashkent since 1994, Dr. Chaudhry provides a good example of the type of north-south economic integration that the USG hopes to encourage in Central Asia. At the same time, he provides a glimpse into the reality of day-to-day business operations, a reality that runs directly counter to the norms of business dealings in the West. His success and respected position in Tashkent business circles demonstrates, however, that anyone contemplating opening a business in Uzbekistan has much to learn from him.

NORLAND